

Thursday, 31 October 2019

**BUY**  
**Maintain**

Last price (IDR) 2,100  
Target Price (IDR) 3,400  
Upside/Downside +61.9%  
Previous Target Price (IDR) 3,400

**Stock Statistics**

Sector Construction  
Bloomberg Ticker WIKA JJ  
No of Shrs (mn) 8,970  
Mkt. Cap (IDRbn/USDmn) 18,837/1,343  
Avg. daily T/O (IDRbn/USDmn) 40.8/2.9

**Major shareholders (%)**

Govt. Indonesia 65.1  
Estimated free float 34.9

**EPS Consensus (IDR)**

	2019F	2020F	2021F
Danareksa	258.7	305.3	338.0
Consensus	228.3	255.0	288.0
Danareksa/Cons	13.3	19.7	17.4

**WIKA relative to JCI Index**



Source : Bloomberg



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# Wijaya Karya(WIKA JJ)

## Results boosted by the Jakarta Bandung HSR project

**WIKA's 9M19 earnings jumped by +57.2%yoy to IDR1.4tn. The result is slightly above our full year target as it is 58% of our full year target. The strong earnings were supported by robust earnings from the JV which grew by +107.4%yoy to IDR587bn. We believe the strong earnings from the JV mostly came from the Jakarta Bandung HSR project. WIKA targets the project's progress to reach 53% by the end of 2019 (it reached 35% as of Sep19). The DER stood at 1.19x as of Sep19.**

**WIKA booked 9M19 earnings of IDR1.4tn, up by +57.2%yoy.** The strong earnings were supported by solid earnings from the JV which more than doubled to IDR587bn. We believe most of the JV earnings came from the Jakarta – Bandung HSR project. The figure is 58.3% of our full year target and 66.4% of the consensus. As the historical ratio stands at 53.3%, the result is slightly above our target.

**Revenues reached IDR18.3tn in Sep19, or -12.9%yoy** on the back of flattish new contracts secured this year. The revenues are 46.9% of our full year target and 48.4% of the consensus. The historical figure is 64.0%.

**Order book.** The order book as of Sep19 stood at IDR104.5tn, or +9.4%yoy. This includes new contracts of IDR25.8tn secured in 9M19 (+1.6%yoy). The 9M19 new contracts are 41.7% of the full year target set at the beginning of the year at IDR61.7tn (+22.1%yoy). Assuming a 6% net margin in the JV business, the 9M19 burn rate was stable at 26.9%.

**Margins, debt, and cash flow.** The gross margin improved to 12.4% in 9M19 (9M18: 11.3%). Meanwhile, the net margin jumped to 7.4% in 9M19 from 4.1% in 9M18 thanks to strong income from JV. Debt as of Sep19 reached IDR21.7tn, or higher than IDR13.6tn as of Dec18. Consequently, finance costs grew by +17.3%yoy to IDR851bn and the DER rose to 1.19x (Dec18: 0.79x). Operating cash flow was negative IDR3.8tn. The amount is smaller than the negative operating cash flow of IDR5.5tn booked in Jun19.

**Jakarta – Bandung HSR project.** WIKA obtained IDR15.8tn of construction contracts for the project. As of Sep19, WIKA's work progress reached 35% out of 53% targeted to be completed by end-2019. Regarding Pertamina's pipeline fire, the accident was not caused by WIKA as it is under other contractor's responsibilities. Besides WIKA there are another two main contractors: Sinohydro and China Railway Engineering Construction.

**Maintain BUY.** WIKA is our top pick in the sector. It is trading at 2019-2020 PE of 8.1x-6.9x, or slightly above its -1SD PE of 6.5x.

**Key Financials**

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	26,176	31,158	39,026	46,736	54,806
EBITDA (IDRbn)	2,500	3,352	4,311	5,422	5,977
EBITDA Growth (%)	34.9	34.1	28.6	25.8	10.2
Net profit (IDRbn)	1,202	1,730	2,320	2,738	3,032
EPS (IDR)	134.1	193.0	258.7	305.3	338.0
EPS growth (%)	(17.3)	43.9	34.0	18.0	10.7
BVPS (IDR)	1,409.4	1,651.5	1,870.4	2,124.0	2,400.9
DPS (IDR)	33.8	26.8	38.6	51.7	61.1
PER (x)	15.7	10.9	8.1	6.9	6.2
PBV (x)	1.5	1.3	1.1	1.0	0.9
Dividend yield (%)	1.6	1.3	1.8	2.5	2.9
EV/EBITDA (x)	6.6	5.5	4.7	3.5	2.9

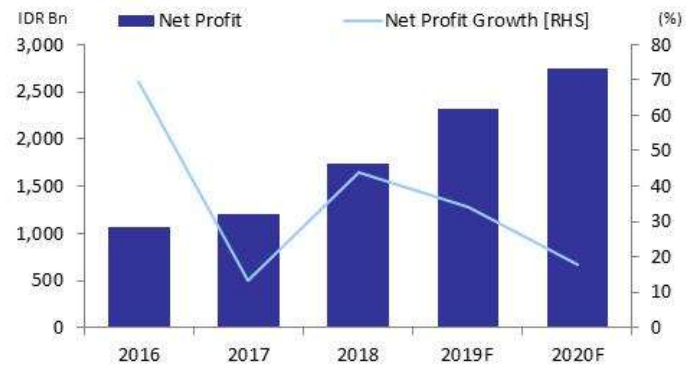
Source : WIKA, Danareksa Estimates

**Exhibit 1. Revenues and Growth**



Source: Company, Danareksa Sekuritas estimates

**Exhibit 2. Net Profits and Growth**



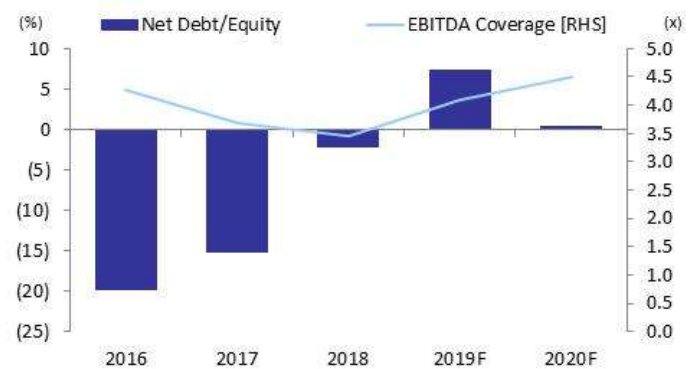
Source: Company, Danareksa Sekuritas estimates

**Exhibit 3. Margins**



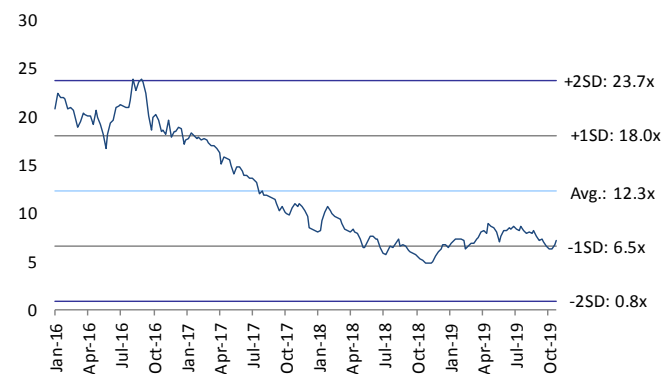
Source: Company, Danareksa Sekuritas estimates

**Exhibit 4. Gearing Level**



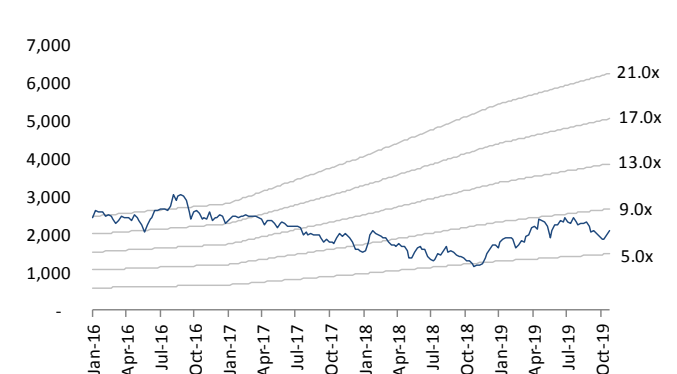
Source: Company, Danareksa Sekuritas estimates

**Exhibit 5. PE Band Chart**



Source: Bloomberg, Danareksa Sekuritas estimates

**Exhibit 6. PBV Band Chart**



Source: Bloomberg, Danareksa Sekuritas estimates

**Exhibit 7. WIKA 9M19 Result Summary**

<b>IDR Bn</b>	<b>3Q18</b>	<b>2Q19</b>	<b>3Q19</b>	<b>QoQ Chg %</b>	<b>YoY Chg %</b>	<b>9M19</b>	<b>YoY Chg %</b>	<b>Danareksa FY19F</b>	<b>9M19/ FY19F %</b>
Revenue	8,026	4,859	6,933	42.7	(13.6)	18,297	(12.9)	39,026	46.9
Gross profit	890	623	932	49.6	4.8	2,269	(4.5)	4,659	48.7
Op. profit	783	552	1,002	81.6	28.0	2,220	9.9	4,858	45.7
Net profit	343	605	462	(23.7)	34.5	1,352	57.2	2,320	58.3
GPM (%)	11.1	12.8	13.4	0.6	2.4	12.4	1.1	11.9	0.5
OPM (%)	9.8	11.4	14.5	3.1	4.7	12.1	2.5	12.4	(0.3)
NPM (%)	4.3	12.4	6.7	(5.8)	2.4	7.4	3.3	5.9	1.4

Source: Danareksa Sekuritas estimate

### Exhibit 8. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
<b>Revenue</b>	<b>26,176</b>	<b>31,158</b>	<b>39,026</b>	<b>46,736</b>	<b>54,806</b>
COGS	(23,300)	(27,553)	(34,367)	(41,114)	(48,216)
<b>Gross profit</b>	<b>2,876</b>	<b>3,605</b>	<b>4,659</b>	<b>5,623</b>	<b>6,590</b>
<b>EBITDA</b>	<b>2,500</b>	<b>3,352</b>	<b>4,311</b>	<b>5,422</b>	<b>5,977</b>
<b>Oper. profit</b>	<b>2,772</b>	<b>3,352</b>	<b>4,858</b>	<b>5,713</b>	<b>6,297</b>
Interest income	242	313	391	352	440
Interest expense	(678)	(973)	(1,057)	(1,208)	(1,357)
Forex Gain/(Loss)	1	39	0	0	0
Income From Assoc. Co's	(124)	(310)	(248)	(124)	(62)
Other Income (Expenses)	(121)	663	(107)	(111)	(120)
<b>Pre-tax profit</b>	<b>2,092</b>	<b>3,086</b>	<b>3,837</b>	<b>4,623</b>	<b>5,199</b>
Income tax	(736)	(1,012)	(1,130)	(1,442)	(1,659)
Minority interest	(154)	(343)	(387)	(442)	(508)
<b>Net profit</b>	<b>1,202</b>	<b>1,730</b>	<b>2,320</b>	<b>2,738</b>	<b>3,032</b>
<b>Core Net Profit</b>	<b>1,308</b>	<b>1,798</b>	<b>2,427</b>	<b>2,850</b>	<b>3,152</b>

### Exhibit 9. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	11,254	13,974	15,306	19,135	23,193
Receivables	15,824	18,656	22,130	24,823	27,679
Inventory	1,663	5,979	3,107	3,717	4,359
Other Curr. Asset	6,169	4,947	4,943	5,591	6,116
Fixed assets - Net	3,932	4,676	5,856	6,959	7,985
Other non-curr.asset	6,842	10,999	13,553	15,697	18,195
<b>Total asset</b>	<b>45,684</b>	<b>59,230</b>	<b>64,895</b>	<b>75,922</b>	<b>87,528</b>
ST Debt	6,907	4,497	7,580	8,673	9,751
Payables	10,633	14,457	13,910	16,638	19,509
Other Curr. Liabilities	8,436	9,299	9,294	11,144	13,036
Long Term Debt	2,108	9,092	9,202	10,567	11,916
Other LT. Liabilities	2,968	4,671	5,017	5,886	6,800
<b>Total Liabilities</b>	<b>31,052</b>	<b>42,015</b>	<b>45,003</b>	<b>52,909</b>	<b>61,013</b>
Shareholder's Funds	12,634	14,804	16,778	19,052	21,536
Minority interests	1,998	2,412	3,114	3,961	4,979
<b>Total Equity &amp; Liabilities</b>	<b>45,684</b>	<b>59,230</b>	<b>64,895</b>	<b>75,922</b>	<b>87,528</b>

### Exhibit 10. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	1,202	1,730	2,320	2,738	3,032
Depreciation and Amort.	272	0	547	292	320
Change in Working Capital	459	(2,289)	(1,079)	706	825
Other Oper. Cash Flow	(259)	(1,385)	1,100	1,373	1,453
<b>Operating Cash Flow</b>	<b>1,674</b>	<b>(1,944)</b>	<b>2,888</b>	<b>5,109</b>	<b>5,630</b>
Capex	(1,291)	1,234	(2,227)	(1,895)	(1,846)
Others Inv. Cash Flow	(682)	(1,025)	(1,821)	(1,019)	(1,266)
<b>Investing Cash Flow</b>	<b>(1,973)</b>	<b>209</b>	<b>(4,048)</b>	<b>(2,914)</b>	<b>(3,112)</b>
Net change in debt	2,269	4,574	3,193	2,458	2,427
New Capital	0	0	0	0	0
Dividend payment	(304)	(254)	(346)	(464)	(548)
Other Fin. Cash Flow	(388)	(877)	(1,057)	(1,208)	(1,357)
<b>Financing Cash Flow</b>	<b>1,578</b>	<b>3,444</b>	<b>1,790</b>	<b>786</b>	<b>522</b>
<b>Net Change in Cash</b>	<b>1,279</b>	<b>1,709</b>	<b>630</b>	<b>2,982</b>	<b>3,040</b>
Cash - begin of the year	9,270	11,254	13,974	15,306	19,135
Cash - end of the year	11,254	13,974	15,306	19,135	23,193

### Exhibit 11. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
<b>Growth (%)</b>					
Sales	67.1	19.0	25.3	19.8	17.3
EBITDA	34.9	34.1	28.6	25.8	10.2
Operating profit	35.6	20.9	44.9	17.6	10.2
Net profit	13.5	43.9	34.1	18.0	10.7
<b>Profitability (%)</b>					
Gross margin	11.0	11.6	11.9	12.0	12.0
EBITDA margin	9.6	10.8	11.0	11.6	10.9
Operating margin	10.6	10.8	12.4	12.2	11.5
Net margin	4.6	5.6	5.9	5.9	5.5
ROAA	3.1	3.3	3.7	3.9	3.7
ROAE	10.0	12.6	14.7	15.3	14.9
<b>Leverage</b>					
Net Gearing (x)	(0.2)	0.0	0.1	0.0	(0.1)
Interest Coverage (x)	4.1	3.4	4.6	4.7	4.6

Source : WIKA, Danareksa Estimates

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